

NGA Review Completed

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Central Intelligence Agency



DIRECTORATE OF INTELLIGENCE

Reorganization of the North Korean Army	25
It was not until this year that the Community fully rethat a major reorganization of the North Korean Army had be under way since 1981. Of primary interest, the reorganization volves the formation of mechanized corps and mechanized brigades and the shift of some units forward. Mechanized divisions no longer exist as such: essentially each division with APCs has split into two mechanized brigades.	een Lion
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This memorandum was prepared by Korea Branch at Mortheast Asia Division, Office of East Asian Analysis for Admiral Burkhalter of the Intelligence Community Staff in preparation for his trip to the Far East. Comments and question are welcome and may be addressed to Chief, Korea Branch at	-
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	There has been an apparent movement forwar area units, but we believe much of the new base evident in the forward area is to house the med that reformed from divisions already located ne to the DMZ. A generally southward movement in itself is apparent the new mechanized brigad along a line behind the DMZ-based infantry diviexactly sure of the purpose for the extensive to construction near the DMZ, but we doubt that movehicle storage.	construction hanized brigades ar the approaches the forward area es are close-in, sions. We are not	
	The bulk of North Korea's ground forces ar organizations that probably represent echelons employed in time of war. The established forwa corps with their infantry divisions constitute two mechanized corps in the forward area with the second-echelon, exploitation force. The reresulted in an equally effective defensive force armed, with mobile units in position to blunt pattacking enemy. Even so, we doubt that the respective undertaken for defensive purposes.	that will be rd geographic the first echelon; heir brigades are organization has e that is heavily	
25 X 1	The reserves are also being reorganized and are armed with towarmed reserve will reduce the need to hold back for defense; some could be used as follow-on assurather than as small unit fillers as before.	wed howitzers and ganized, well- regular forces sault units	25X1 25X1 25X1
	Although the reorganization increases our of Korean intentions, the long-term and deliberate changes do not imply ny great urgency. We do to warning time based upon purely military indicate shortened because the concentration of mobile second units near the forward area reduces the need to the rear.	nature of the Delieve that Ors will be	

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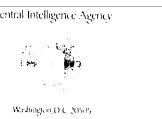
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Austerity remains the watchword in 1985. The growth in the money supply, which was reduced from 28 percent in 1982 to 15 percent in 1983, is targeted at only 9.5 percent this year. The 1985 budget, which provides a small surplus, pegs the increase in government spending to the rate of economic growth.	
Barring external shocks, we project 1985 as a good year for the Korean economy. South Korea is favorably positioned to achieve 6.5-7 percent real GNP growth. By gradually depreciating the won and keeping inflation low, Seoul will maintain its export competitiveness.	
In its defense spending for 1985, the South Koreans are concerned that new accounting ground rules for GNP required by the IMF would make it difficult for Chun to meet his pledge of allocating 6 percent of GNP to defense. To do so would require a boost of better than \$500 million in defense expenditures and force a sharp reduction in outlays in nondefense areas. We believe Seoul will make a serious effort to again reach the 6-percent target. Although slower economic growth this year will make the targeted ratio easier to attain in the short term, because of declining growth in revenue.	25X 25X1
Over the medium term South Korea's economic performance will depend heavily on global economic conditions and Seoul's ability reform measures aimed at encouraging increased inflows of foreign equity investment particularly in technology-intensive sectors. These new regulations should increase the placement of technologically advanced products and processes in industries such as transport equipment, chemicals, electronics, and excels. General Motors and IBM are among the many companies who in technology-intensive west-residuals in South Korea	

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DIRECTORATE OF INTELLIGENCE

17 January 1985	
Seoul's Bid for a Stronger Defense: Force Improvement Plan II; Third Country Sales of Military Equipment	25 X 1
Seoul's 1982-86 Second Phase Force Improvement Plan (FIP II) is designed to fill some specific gaps in South Korea's defenses, but it will not significantly alter the military balance on the peninsula. We believe the South will, in fact, fall further behind the North even with FIP II, and that the US troop presence will remain the most effective deterrent to a North Korean invasion during the 1980s.	25 X 1
The North's most threatening military advantage is in key ground force categories such as tanks and armored personnel carriers and its lead in these weapons probably will increase over the course of FIP II. Seoul will probably reduce its current disadvantage in long-range artillery, but P'yongyang will increase its lead in modern, mobile, self-propelled artillery. In naval power, P'yongyang probably will widen its lead by constructing more naval combat vessels than Seoul.	
The South has made its biggest gains in recent years in the air balance and probably will continue to maintain its current advantage. Recently available information, however, indicates	25X1
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the North is preparing to build its own fighter aircraft, and this could prevent Seoul from significantly increasing its advantage in this area in the late 1980s.

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Several key considerations have shaped Seoul's commitment over the past decade to strengthen its defense:

- O A perception in Seoul -- less acute now than during the Carter administration -- that the United States eventually might withdraw all its forces from the Korean Peninsula.
- O A growing desire to provide better forward defenses north of Seoul, an area that by mid-1970s had grown to encompass nearly a fourth of South Korea's population and industrial capacity.

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Seoul's military improvements, however, have lagged far behind those in the North, primarily because there are important economic constraints on defense spending. The Chun government, following the precedent of President Park, has continued to place a high priority on economic development as a means of fostering political stability in the South -- stability believed to be essential to deterring North Korean aggression. Planners believe defense spending above 6 percent of GNP will slow economic growth.

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Planners also may be apprehensive that the more quickly the South approaches defense self-sufficiency, the sooner the United States may again be tempted to withdraw its forces from Korea, removing what many regard as the single greatest deterrent to North Korean military action. regardless of the Seoul-P'yongyang military balance.

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Over the past decade, Seoul's military improvements have increasingly been supported by a rapidly growing defense industry that is based largely on US technology. The defense industries are saddled with significant idle plant capacity and are suffering financial losses because requirements for many basic items of military equipment have been met. Seoul's efforts to support the defense industries through third-country sales have been frustrated by US-imposed restrictions. Last year, Seoul cancelled lucrative sales of both lethal and nonlethal military items to Iran in response to US demarches on denial of support to the warring Gulf States.

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